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C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000837

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SUBJECT: PM KALVITIS PLANS TO RESIGN DEC. 5

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Classified By: Charge d'affaires a.i., Stuart M. Seldowitz. Reason: 1.
4 (d)

11. (C) Summary: Latvian PM Aigars Kalvitis announced November 7 that he will step down on December 5. He said he wanted to ensure a smooth transition. At the same time, he nominated candidates to fill three of the four vacancies in the cabinet, including Maris Riekstins as foreign minister. The ministers were approved by parliament November 8. Political players and observers we spoke to believe that the current four-party coalition will try to do everything it can to hold together and form the next government. The early front runner for PM is finance minister Oskars Spurdzins. If the current coalition holds and only a few faces in cabinet change, it is unclear whether that will satisfy the popular discontent with the current government. End summary.

12. (U) On November 7, the one year anniversary of approval of his cabinet following the October 2006 elections, Latvian PM Aigars Kalvitis announced that he would resign as PM on December 5, giving him three straight years in office. Kalvitis made this announcement after consulting with coalition partners and standing alongside President Zatlers, after discussing his plans with the head of state. Kalvitis stressed that he was announcing his intention to resign rather than submitting his resignation to ensure that "important work could continue" while ensuring "a smooth transition" and "avoiding chaos." Kalvitis announced that he was nominating three ministers to serve in his cabinet and urged the parliament to approve them on November 8 following adoption of the 208 budget (the votes on the budget and the ministers occurred the afternoon of November 8 and were successful). Former Latvian Ambassador to Washington and Kalvitis' current Chief of Staff Maris Riekstins was named as Foreign Minister. Kalvitis also named candidates for the ministries of welfare, and regional development and local government. The post of economics minister remains unfilled. (Note: Under the constitution, when the PM resigns or leaves office, all members of the cabinet must also resign and the parliament holds a confidence vote on the new cabinet as a single unit, so all three will have to resign Dec. 5 along with Kalvitis. End note.)

13. (C/NF) Kalvitis' foreign policy advisor, Peteris Ustubs, told us when giving us an advance preview of the PM's announcement that by not actually submitting his resignation now, Kalvitis avoids going in to caretaker mode and retains the ability to make important decisions. Ustubs said that the PM hoped it would be possible to finalize the Latvia-Russia border agreement in the first days of December, for example (ref b). Viesturs Silenieks, political advisor to Speaker Daudze and a representative of the Greens and Farmers party (ZZS) in the coalition governing board, said much the same and added reform of local government in Latvia as another issue Kalvitis wanted to see resolved before leaving office.

The next government - more of the same?

14. (C/NF) Silenieks said that he believed that the next government would be based on the same four-party coalition as the current one, which now has 55 seats in parliament. Asked what would happen if Fatherland and Freedom (TB/LNNK) at its party congress on November 24 elected a leader committed to pulling the party out of the coalition, Silenieks responded that he was sure at least 3 of TB's MP's would remain with the coalition, leaving it with 52 seats, and the other 3 would be willing to support the coalition on many issues. Members of parliament from other parties have also suggested to us that a leadership change in TB might not be reflected in the alignment of its members of parliament. Silenieks fully expected that the new PM and cabinet would be approved by parliament on December 6.

15. (C/NF) Looking to the next cabinet, Silenieks said he personally thought it was "a mistake" for the PM to announce the new ministers and that all ministerial slots should have been open for negotiation in writing the new coalition agreement. He felt that Kalvitis and his People's Party (TP) were "putting their foot in the door" to ensure they retained the foreign affairs and regional development portfolios in discussions on the new coalition agreement. ZZS then nominated a new welfare minister to similarly lay down their claim on the position. Silenieks said that these actions took the three portfolios out of negotiations on a new coalition agreement and speculated that the three ministers were likely to continue in a new government. The other ministers he thought were almost certain to stay in their current positions are Ivars Godmanis at Interior and Ainars Slesers at Transport; all other jobs are up for discussion.

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16. (C) The name most often heard for PM is Finance Minister Oskars Spurdzins, also from TP. Sources in the party call him "a calming figure" and stress that he has been finance minister for four years and has a reputation as a technocrat rather than a politician. Silenieks termed Spurdzins "not as loud" as Kalvitis, who has a legendary temper. One journalist described Spurdzins as perfect for the job in the current environment, given his perceived lack of political ambition.

What about the opposition?

17. (C/NF) If the current coalition can hold, then the idea of bringing leftist and ethnic-Russian based Harmony Center (SC) into government would seem dead, especially since TB and SC have both said they cannot work in the same coalition together. Silenieks claimed that Kalvitis had told him that, on reflection, he realizes that the people are not ready to see ethnic-Russians in government. SC leader Nil Ushakov, who had been very upbeat on his party's prospects of joining government as late as November 6, commented bitterly after the PM's announcement that it was "a creative way for the coalition to stay in power." A journalist from a Russian-language newspaper similarly noted to us that it was easier for the current coalition to stay together than for any of the parties to take the political hit of bringing in SC.

18. (C/NF) The other main opposition party, center-right New Era (JL), seemed more prepared for the PM's decision. We met with JL's parliamentary leader Dzintars Zakis about six hours before the PM's announcement. Zakis described the current coalition as "lacking vision or strategy" and was especially critical of TP leadership, saying that they lacked a political mind among them. He confirmed that JL had been speaking with individual members of the coalition about coming in to government but he felt those were all to build a fallback plan in case the current group could not hold together. He seemed to feel that JL was better off staying

out of government anyway as the economic situation was unlikely to improve in the short term, so why be saddled with the blame for the lack of improvement.

¶9. (C/NF) Comment: The course of events is not unexpected (ref A), although naming the three new ministers now caught many by surprise. We continue to believe that the four parties currently in coalition will attempt to continue together in government, although the factor that unites them most is keeping out the two opposition parties rather than a comprehensive or coherent policy agenda. That they would even be willing to continue on with a rump TB party is testament to that. While Spurdzins is the front runner for PM, his selection is far from assured and over the next four weeks the coalition negotiations could be tough, especially since some of the negotiating flexibility is limited by the selection of these new ministers.

¶10. (C/NF) Comment, continued.: Assuming the current coalition stays together and forms a new government, the key question will be how the public perceives all this. Will changing Kalvitis for a new PM and shifting around a few ministers satisfy the groups that have marched in protest in recent weeks? Or are they looking for a fundamental change? If they don't get it, will they go back on to the streets? Will they put more pressure on the President Zatlers to dissolve parliament? JL's Zakis thought that the coalition would be helped in this regard by the calendar, with the people's interest in politics waning over the holiday season, giving the coalition more breathing room. But with inflation likely to remain high, economic growth likely to decrease significantly, and the probability of indictments of political figures in corruption cases, any new government is unlikely to have much of a honeymoon and Latvia's next PM is unlikely to stay in office nearly as long as Kalvitis.

SELDOWITZ